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STATUS OF SOUTH-SOUTH COOPERATION AND THE EMERGING ISSUES

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I. INTRODUCTION

1. The present paper has been prepared to assist in the discussions of the Intergovernmental Meeting of Experts convened by the General Assembly in its resolution 49/96, inter alia, to recommend, with a view to expanding South-South cooperation on a global scale, practical modalities and substantive issues to be taken into account by the Secretary-General in preparing a report on the state of South-South cooperation.

2. The paper reviews the salient features of South-South cooperation experience and attempts an assessment of the implications for future cooperation of the changes that have characterized the world economy in recent years. Finally, the paper provides a background against which the intergovernmental Group of Experts could recommend substantive issues and practical modalities that might constitute an agenda for future South-South cooperation.

II. BACKGROUND

3. South-South cooperation has its roots in the compelling imperatives of the post-colonial era and has been closely linked with the process of development itself. It has proved fruitful over the years, though much more could have been achieved with better access to knowledge and resources. Both its nature and potential have undergone a transformation with changing circumstances and a further transformation in the remaining part of this century and beyond is a foregone conclusion.

4. Some developing countries have attained substantially better levels of economic development over the years, whether through better prices for their natural resources, notably oil, or through industrialization, or both. A few have already attained levels comparable or close to those of the developed world if measured by internationally recognized indicators of economic development. Many other developing countries, meanwhile, have been further impoverished and find themselves mired in an insidious combination of indebtedness and an inability to achieve sustainable development. These developments have necessarily led to changes in the pattern of South-South cooperation and to differing goals and aspirations for different developing countries that had similar levels of development as little as two decades ago.

5. An important lesson of the recent past is that "South" is not a monolithic concept; it encompasses countries with vastly different levels of development, with the upper levels nudging the North, and the relationship of the South with the North has also undergone a significant change, even though the interaction hardly matches up to the expectations and hopes that had been aroused in earlier years for the "decade of development" and beyond.

6. Any discussions of South-South cooperation would also have to take into account the factors that are shaping realities on the global economic scene, and which will continue to do so in the years to come. Such an attempt would be at least partly speculative, but the attempt would be incomplete if it ignored some of the key factors that are bound to influence future international economic

relations and, inevitably, the economic well-being of the peoples of developing countries. South-South cooperation, encompassing economic cooperation among developing countries (ECDC) and its companion, technical cooperation among developing countries (TCDC), must be shaped in the light of such realities.

III. REGIONAL ECONOMIC COOPERATION AND INTEGRATION

7. In its earliest forms, South-South cooperation was pursued mainly within the framework of subregional and regional economic cooperation and integration schemes of developing countries, often with trade liberalization objectives as an essential feature. The early promise that these schemes offered as strategies for the achievement of rapid economic growth in the South were not always realized, so that even before the onset of the world economic crisis of the 1980s, which especially affected developing countries, the general perception was that, although there had been some successes, as a whole, regional cooperation arrangements had failed to achieve their objectives. 1/ The causes were many, ranging from rigidities within these arrangements to low rates of implementation of decisions by member States of regional commitments because countries could not always see clearly how subregional/regional arrangements could accommodate their vital national concerns.

8. Since the latter part of the 1980s, there have been fundamental changes of both a political and an economic nature, in response to which developing countries and their groupings have been adopting new approaches to regional cooperation. For example, in respect of both national economic policy and the structure of regional arrangements, the approach has become more liberal and open to the global economy. The switch from emphasis on inward-looking import substitution policies to more openness is giving new impetus to regional cooperation, because cooperation with regional/subregional partners is seen as a step towards fuller participation in the global economy, as it facilitates the acquisition of higher skills and the attainment of the production scale necessary to compete internationally. Similarly, the liberal market-based orientation has opened up the possibility of enterprise cooperation, and these two trends have become mutually reinforcing. Most developing countries members of integration groupings, for example, have established very tight timetables for market integration, which generally envisage the full attainment of customs union or common market status by or around the year 2000. Generally speaking, these market integration efforts, in contrast to the past, are being developed as much as possible within the context of an outward-oriented approach and in the light of long-term integration objectives, and they are also incorporating new elements designed to generate and sustain trade as well as to enhance competitiveness.

9. The desire to ensure more effective and speedy progress towards the realization of integrated and functional subregional and regional communities remains high on the agenda of developing countries and their groupings, as manifested in the adoption of new treaties to create new economic groupings, the revision of existing treaties to introduce new elements and modalities that update and deepen the integration process as well as render it more flexible and the enlargement of membership of economic groupings to cover wider geographical areas. The expansion of trade through the strengthening of some form of customs

union arrangement - in addition to trade promotion measures - constitutes the basic thrust of many of these initiatives. Simultaneously the scope of cooperation is being widened to build the necessary conditions conducive to cooperation and integration prospering. Adjustments in this direction have involved increasing popular participation, promoting peaceful inter-State relations and enhancing regional security and stability, increasing the participation of enterprises and cooperation among them and their associations, expanding cooperation with major external partners, including in some instances through the formation of preferential trading agreements, and restructuring the policy organs and executive secretariats of groupings. Some initiatives at the interregional level have been launched, and the formation of mixed groupings involving both developed and developing countries has gained in prominence.

IV. SUBREGIONAL AND REGIONAL DEVELOPMENTS 2/

A. Africa

10. Generally speaking, the experience of regional cooperation in Africa has been mainly disappointing. An earlier assessment of that experience concluded that, although the mechanisms of regional integration in Africa appeared to follow the general framework of similar efforts elsewhere, the African approach tended to be more ambitious, centralized and political in origin and, among other weaknesses, there was a reluctance on the part of countries to cede power to subregional and other bodies. 3/

11. The perceived problems are not unique to Africa, and as in other regions, Africa is now applying new approaches to subregional and regional cooperation and integration, as can be seen, for example, in the efforts of the Organization of African Unity (OAU) to create a continental economic community using as "building blocks" the various subregional communities.

12. The Arab Maghreb Union meeting of heads of State in April 1994 noted that several agreements had been adopted since the last summit and a dozen projects designed, including a regional highway, a high-speed train and fibre optic cable to strengthen links between member States, several projects to further consolidate Union customs cooperation and a study on a compensation scheme. Union member States adopted a preferential trading scheme in 1990-1991 to promote and strengthen trade among them, but the scheme has not yet been implemented. Meanwhile, recorded intra-Union trade remains very low, accounting for about 2 per cent of total Union exports in 1992. In respect of external cooperation, the Arab Maghreb Union and the European Union have been holding discussions on closer mutual economic cooperation.

13. Despite set-backs occasioned by the civil strife in Liberia with spillover effects in neighbouring countries, the Mano River Union Ministerial Council meeting in July 1993 directed the secretariat to seek technical assistance for the establishment and strengthening of economic integration structures within the national administrations of member States. The Council also decided to expand the scope of Mano River Union cooperation to include political, security, foreign affairs and defence matters. The Union secretariat, for its part, has proposed initiatives for the determination of modalities and strategies for the

post-war reconstruction and rehabilitation of war-affected areas of the subregion. In view of the difficulties confronting the Mano River Union, the aim of expanding intra-Union trade has not been met. Such trade at present is less than 1 per cent of total Union exports.

14. In July 1993, the Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS) signed the revised ECOWAS Treaty. Designed to bring new dynamism to West African integration, the revised Treaty confers upon the ECOWAS Authority full power to take decisions that would be binding on Community institutions as well as member States, makes provision for the establishment of an ECOWAS parliament and an economic and social council, for the establishment of eight specialized technical commissions to replace the six existing ones, for political cooperation and regional security, and for the enactment of a Community levy to generate financial resources for the Community (the levy will be a percentage of total value of import duty derivable from goods imported from third countries) and provides that ECOWAS will be the sole economic community in West Africa and serve as the focal point for all intraregional integration activities. In the context of institutional rationalization, a particularly important development was the abolition of the West African Economic Community (CEAO), pursuant to a decision of the summit of Heads of State of the seven member States (Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger, Senegal) in early 1994. The revised ECOWAS treaty also provides for the establishment of a customs union within 10 years from 1 January 1990, followed by the creation of an economic and monetary union in the subsequent 5 years. This programme is expected to promote and expand intra-ECOWAS trade, which in 1992 represented about 7.8 per cent of total ECOWAS exports.

15. The Economic Community of Central African States (ECCAS) has been revising its instruments of cooperation and launching initiatives aimed at raising mutual trade above its historical level of 2 per cent of the total trade of the member States.

16. After a major restructuring operation, the States members of the Central African Customs and Economic Union (UDEAC) signed a treaty in March 1994 on the creation of an Economic and Monetary Community of Central Africa. The Community will comprise an economic union of Central Africa that will be built upon the achievements of UDEAC, a monetary union of Central Africa, a Community Parliament, and a Community court of justice. The Bangui-based UDEAC secretariat has been transformed into the executive secretariat of the Community to monitor and facilitate member States' implementation of the reforms and commitments assumed under the treaty. Intragroup trade expansion is a major objective of UDEAC, and the aim will be to reverse the recent decline in the already low level of intragroup exports.

17. In the Economic Community of the Great Lakes Countries (CEPGL), the civil strife in Rwanda has crippled the Gisenyi-based CEPGL secretariat and curtailed implementation of cooperation activities, such as the planned establishment of a customs union beginning with the elimination of tariffs on 1 January 1995. Recorded trade among the Community members has tended to constitute less than 1 per cent of total Community exports.

18. A new grouping, the East African Community, was created on 30 November 1993 with the signature of a treaty by the Heads of State of Kenya, the United Republic of Tanzania and Uganda. The treaty provides for the following: (a) the establishment of a tripartite commission that will be responsible for the promotion of cooperation in various fields, including political, economic, social, cultural and security matters; (b) the immediate abolition of travel restrictions and the elimination of non-tariff barriers between the three countries; and (c) sector cooperation in aviation, meteorology, agriculture, fisheries, animal husbandry, energy, tourism, wildlife and environmental protection, health, education, science and technology, legal and judicial issues, information exchange, training and cooperation in security operations. The tripartite commission is also directed to resolve outstanding issues of the former community of the same name, including its assets and liabilities, and to strengthen surviving institutions.

19. The Preferential Area for Eastern and Southern African States (PTA) was transformed into the Common Market of Eastern and Southern African States (COMESA) by the signing of the COMESA Treaty in November 1993, when Eritrea, Madagascar and Seychelles were also admitted to membership, bringing the total to 22 countries. Under COMESA, greater emphasis is to be given to cooperation in critical sectors likely to make an impact on growth, development and trade. These include greater industrialization, expansion of intra-trade, development of cheaper, reliable and more efficient transport and communication infrastructures, and the development of agriculture for food security and self-sufficiency. COMESA aims to increase intra-trade from the present level of about 6 per cent of total exports to over 25 per cent by the year 2000.

20. The signing in August 1992 of the treaty creating the Southern African Development Community (SADC) marked an important step for southern African States in forging ahead from regional cooperation - as pursued under its predecessor, the Southern African Development Coordination Conference (SADCC) - to regional integration. The treaty entered into force on 5 October 1993. SADC will build upon the foundations laid by SADCC while emphasizing the involvement of the people and the real commitment by Governments to the community-building process. To sensitize and involve the people of the region, seminars and workshops at the national and regional levels were conducted throughout the region, as a result of which the technical protocols determining and defining the various sectors and activities for cooperation were drawn up. South Africa became the eleventh member of SADC when it acceded to the treaty in 1994.

21. In 1992 the States member of the Indian Ocean Commission adopted an Integrated Regional Programme for the Development of Trade whose objectives are to develop trade of member States with the involvement of economic operators, ensure development of efficient production structures, promote the standardization of products, facilitate the assimilation of trade information and eliminate tariff and non-tariff barriers to trade among member States with a view to establishing a free trade area. The programme had been partially implemented by the end of 1993.

22. In respect of cooperation groupings such as the Permanent Inter-State Committee for Drought Control in the Sahel, the Council of the Entente, the Intergovernmental Authority on Drought and Development, the Organization for the

Management and Development of the Kagera River Basin, the Lake Chad Basin Commission, the Liptako-Gourma Integrated Development Authority, the Niger Basin Authority, the Gambia River Basin Development Organization and the Senegal River Development Organization, continuing financial problems arising from the non-payment of assessed contributions by some member States has led many of them to restructure their secretariats, reduce staff and focus attention on mobilizing international technical and financial support for their subregional development programmes and projects.

B. Asia and the Pacific

23. In May 1992 the trade ministers of countries members of the Gulf Cooperation Council (GCC) announced the goal of creating a common market by the year 2000. Later a timetable was set for the application of a unified system of tariffs.

24. With the aim of reactivating cooperation under the Economic Cooperation Organization (ECO), the member States - which now include the newly independent central Asian republics - adopted the Quetta Plan of Action and the Istanbul Declaration on Long-Term Perspectives for the ECO, which provide the umbrella for activities in the ECO region for the forthcoming decade. The Quetta Plan of Action, in particular, contains guidelines and targets to be achieved by or before the year 2000 in the fields of transport and communications, trade, energy, industry, agriculture, tourism and human resource development and provides for the establishment of an ECO Special Fund for Feasibility Studies, with a subscribed contribution of US$ 300,000.

25. In conformity with the decision of the 1991 meeting of Heads of State and Government of the South Asian Association for Regional Cooperation (SAARC), a SAARC Preferential Trading Arrangement was adopted by the April 1993 summit. Member States were urged to complete all formalities to make the arrangement operational, including the finalization of schedules of concessions and the process of ratification before December 1995; the arrangement will include trade liberalization arrangements relating to tariffs, paratariffs, and non-tariff and direct trade measures. Meanwhile, trade among SAARC countries currently accounts for between 8 and 9 per cent of total SAARC exports.

26. The enlargement of membership is a major priority of the Bangkok Agreement. The completion in December 1993 of procedures for the accession of Papua New Guinea to the agreement and the announcement by China in April 1994 of its accession constituted significant developments. The agreement's objective is to expand trade and investment flows among member States; in this respect, intragroup trade has tended to fluctuate between 1.7 and 2.5 per cent of the group's aggregate exports since 1985.

27. Pursuant to the decision of the January 1992 meeting of Heads of Government of the Association of South-East Asian Nations (ASEAN) on the establishment of an ASEAN free trade area, the latter's Ministerial Council in December 1992 finalized the details of the common effective preferential tariff scheme - the mechanism for the realization of the free trade area - which was then officially launched on 1 January 1993, as scheduled. The scheme has the goal of reducing

tariffs on all intra-ASEAN trade in manufactured and processed agricultural goods to between 0 and 5 per cent in 15 years. Quantitative restrictions and other non-tariff restrictions are also to be addressed, and ASEAN member States have been exchanging lists of such restrictions. Other important developments include the restructuring of the ASEAN machinery for economic cooperation through the abolition of the five ASEAN economic committees and the institutionalization of the Senior Economic Officials Meeting as the mechanism to oversee all aspects of economic cooperation; the completion of the restructuring of the ASEAN secretariat, with the restructured secretariat becoming operational in January 1993; continued cooperation with dialogue partners; and the formation in 1994 of the ASEAN Regional Forum to promote regional security. The process of regional integration is being further strengthened in east Asia with the promotion of growth triangles to foster intraregional investment and production for exports to the region and elsewhere. One example is the Southern Triangle, involving Singapore, the Malaysian State of Johor and the Riau Islands of Indonesia.

28. The Melanesian Spearhead Group, composed of Papua New Guinea, the Solomon Islands and Vanuatu, is emerging as the first "integration" grouping involving developing countries of the South Pacific. Under the Group's Trade Agreement, which entered into force on 1 September 1994, trade among the three countries is conducted free of customs duties in respect of tuna from the Solomon Islands, tea from Papua New Guinea and beef from Vanuatu. In this connection also, the 1994 meeting of Heads of State agreed to broaden the scope of tradable products included in the free trade agreement. The same meeting, in addition to discussing political issues affecting regional stability, agreed to expand the scope of cooperation into new areas and, in particular, to collaborate closely in developing a single regional framework of law and practices to regulate their forestry industry, which is a major source of foreign exchange for the three countries; to examine, through a study, the possibility of merging the individual national airlines, which have not been profitable in recent years; and to examine options for the holding of an annual Melanesian Arts Festival to promote cultural cooperation and awareness among member States, as well as tourism.

C. Latin America and the Caribbean

29. A new grouping was launched in July 1994 with the signing of the treaty creating the Association of Caribbean States, encompassing countries and territories washed by the Caribbean sea. The association comprises 25 member States, namely Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and Venezuela; and several dependent Territories (as associate members), namely, Anguilla, Bermuda, Cayman Islands, Turks and Caicos Islands, British Virgin Islands, Montserrat, Guadeloupe, French Guiana, Martinique, Aruba and Netherlands Antilles. Developed countries with dependent territories in the region (France and the Netherlands) can participate as associate members responsible for the Territories. The main objectives of the association are to further economic integration, develop the potential of the Caribbean Sea and

strengthen functional cooperation in the political, cultural, scientific, social and technological areas.

30. The Latin American Economic System (SELA) Council in June 1994 discussed economic relations between Latin America, the Caribbean and the United States and adopted a declaration which, inter alia, called for the termination of all embargoes in the region and reaffirmed the principle of free trade.

31. The States member of the Latin American Integration Association (ALADI) have been considering a proposal advanced in early 1994 for the creation of a South American free trade zone through the gradual elimination of tariffs over 10 years. In respect of trade among ALADI countries, its share of total ALADI exports was about 10.9 per cent in 1990 and rose to about 16.7 per cent in 1992. ALADI agreements permit member States to devise subregional preferential trade agreements that are consistent with the regional framework. Thus many new free trade agreements have been concluded; for example, Colombia and Chile negotiated and agreed to a free trade scheme that took effect in 1994 and aims to liberalize bilateral trade by 1 January 1999; and the Group of Three, created in 1991 by Colombia, Mexico and Venezuela, signed an agreement in June 1994 creating a free trade area through the progressive removal of tariffs on the bulk of their intraregional trade.

32. The Central American Integration System (SICA) was created in 1991 to become the principal umbrella agency for integration in Central America. SICA's secretariat, which has its headquarters in El Salvador, started operations in February 1993. Since then, the secretariat has been participating in the activities of the system and promoting the establishment and functioning of the social subsystem and linkages between this subsystem and other subsystems (cultural and economic).

33. SICA's economic subsystem is the Central American Common Market. On 1 April 1993 four of the five States members of the Common Market (El Salvador, Guatemala, Honduras, Nicaragua) signed an agreement on the Central American Free Trade Zone, along with three basic agreements on, respectively, the central American tariff, rules on unfair practices and rules of origin. The initiative is aimed at reactivating intraregional trade liberalization and expansion. Intra-Common Market trade in 1992 accounted for 13.6 per cent of the group's total exports, which was the lowest ratio attained since 1980. In addition, a protocol to the treaty establishing the Common Market was signed in October 1993 by the Presidents of the five member States with the President of Panama to review the original treaty and adapt it to the present situation. Panama's participation followed after the Central American Presidents and their Panamanian counterpart signed a joint declaration stating their intention to make Panama a full member of the Common Market. Additionally, the Northern Trade Triangle was established in May 1992 with the signature by the Presidents of Honduras, El Salvador and Guatemala of the declaration of Nueva Ocotepeque providing for the formation of a free trade area to be operational as of 1 January 1993. It subsequently became the Central American Group of Four with the admission into the group of Nicaragua during a meeting of presidents in April 1993.

34. Pursuant to the Barahona Act signed in December 1992 at a meeting of Presidents of the Andean Group and subsequent decisions of the Commission of the Cartagena Agreement, a free trade area came into effect on 1 October 1992 between Bolivia, Colombia, Ecuador and Venezuela. Trade between these countries has since been conducted without any restrictions or charges and, in 1992, it accounted for about 6.2 per cent of the Group's total exports. In addition, a common external tariff was adopted in March 1993.

35. The States members of the Southern Cone Common Market (MERCOSUR), in line with an agreed six-monthly adjusted tariff-cutting programme, initiated four tariff-cutting operations over the period 1992 to 1993, which resulted in a total reduction of customs duties of 82 per cent. A new set of tariff cuts (7 percentage points) was effected on 1 January 1994, while the list of exceptions to preferential trade liberalization was reduced by 20 per cent. Meanwhile, trade among MERCOSUR countries in 1992 accounted for around 18.2 per cent of the group's total exports and growing. A common external tariff is also envisaged, and member States have been meeting to address contentious issues, particularly the level of the tariff and its date of application. In respect of relations with other countries in the region, MERCOSUR member States agreed in May 1994 to negotiate jointly preferential trade agreements in the region.

36. The Caribbean Community (CARICOM) embarked on a phased reduction of its common external tariff to a maximum of 25 per cent by 1998. With a view to fostering trade cooperation with neighbouring countries, the first CARICOM/ Central America Consultative Forum agreed to pursue cooperation between the two subregions. Similarly, in October 1992, a CARICOM/Venezuela Trade and Investment Agreement was signed, to enter into force on 1 January 1993. It provides for one-way duty-free access of CARICOM goods to the Venezuelan market.

37. The special CARICOM conference in October 1992 also considered a report entitled "Time for action" presented by the 15-member West Indian Commission that was established by the 1989 CARICOM conference to make recommendations for deepening the integration process and strengthening CARICOM. The special conference basically adopted the main recommendations of the report, and their subsequent implementation has initiated a series of change within the Community. The recommendations include the establishment of the Caribbean Community of Ministers (comprising the CARICOM ministers in each member State) which would eventually replace the Common Market Council as the second highest organ of CARICOM; the adoption of a "charter of civil society" for CARICOM; amendments to the Treaty of Chaguaramas establishing CARICOM as a means of updating the provisions of the Community's legal framework for the twenty-first century; and the establishment of an Association of Caribbean States (see para. 29 above). Also established was a Bureau of the CARICOM Conference comprising three Heads of State and the Secretary-General with competence to "initiate proposals, update consensus, mobilize action and secure implementation of CARICOM decisions in an expeditious and informed manner". The Bureau has been addressing some of the pressing issues before the Community, such as facilitating the implementation of CARICOM decisions and overseeing the restructuring of CARICOM institutions and organs.

V. SOUTH-SOUTH COOPERATION ON A GLOBAL SCALE

38. Up to now, South-South cooperation has been practised largely within the framework of subregional and regional arrangements and although its potential at the global level is generally recognized, instances of its practical application at that level remain few. One reason could well be that, whereas subregional and regional economic cooperation and integration schemes were a feature of the post-colonial scene, South-South cooperation on a global scale was institutionalized only in the 1980s under the auspices of the Group of 77 and the Movement of Non-Aligned Countries with the adoption of the Caracas Programme of Action in May 1981. 4/

39. The Caracas Programme of Action, which arose from the high-level Conference on ECDC of the Group of 77, was greeted enthusiastically by developing countries. Discussions at the Conference indicated that ECDC could provide a vehicle for the developing countries to take fuller advantage of existing and potential complementarities in their economies. The Programme of Action made specific recommendations in the fields of finance, industrialization and technical cooperation. The Programme of Action is a comprehensive document incorporating the aspirations of developing countries, and a procedure was set up not only for the elaboration of its recommendations by experts in specific fields, but also for periodic review and follow-up of its implementation through the mechanism of a periodic Intergovernmental Follow-up and Coordination Committee.

40. The ideas incorporated in the Caracas Programme of Action are as valid today as they were in 1981. In the field of technology, for instance, the recommendations included an updating of the existing capabilities in national, subregional, regional and interregional technology institutions and agencies in the developing countries; expert group meetings to identify problems of common interest and to select projects for joint action; identification of actions necessary for promoting scientific and technical cooperation among developing countries and the establishment of reciprocal preferential treatment arrangements; establishment of action committees in selected sectors to act as promoters and catalysts of technological development; establishment of networks of scientific and technological institutions for the exchange of information and experience and harmonization of strategies in the field of scientific and technological development; continuous monitoring, assessment and analysis of the potentialities and implications of advanced technologies; strengthening of cooperation in the field of industrial property and exchange of information in the acquisition of technologies from developed countries, including model contracts; joint negotiations, where appropriate, for purchase or transfer of specific technologies from developed countries; the strengthening of the Technological Information Exchange System under the United Nations Industrial Development Organization (UNIDO); preparation of technology profiles for products and processes of interest to other developing countries; facilitation of transfer of technologies from other developing countries; cooperation in new technologies for energy; and meetings of heads of national science and technology agencies of developing countries to give directions to the Group of 77 on these matters.

41. Fourteen years after the Caracas Programme of Action, however, its adoption has not led to the progress that was hoped for. The sectoral meetings stipulated by the Programme of Action generated some initial enthusiasm, but attendance by experts as originally envisaged quickly became a rarity. Similarly there was initial enthusiasm among developing countries for the Intergovernmental Follow-up and Coordination Committee, but the momentum began to decline as the 1980s unfolded and to wane considerably thereafter. The gap of four years between the eighth session of the Intergovernmental Committee in 1993 in Panama City and the one before (Kuala Lumpur, 1989) appears to be symptomatic of this declining interest, as indeed is the attendance of just 40 developing countries members of the Group of 77 at the last meeting in Panama.

42. At its eighth session in Panama, the Intergovernmental Committee made several recommendations on various aspects of common concern on the follow-up to the Caracas Programme of Action. As for trade, recommendations included the ratification of the Global System of Trade Preferences (GSTP) agreement; the widening of collaboration between UNCTAD and regional and subregional cooperation groupings; support for the activities of the services sector; integration of the efforts of State trading organizations, chambers of commerce and the business community; increased cooperation among small and medium-sized enterprises on the subregional, regional and global levels; and support for the development of the South Investment Trade Technology Data Exchange Centre (SITTDEC) information network being developed by the Group of 15.

43. As for the Action Programme for Economic Cooperation initiated by the Movement of Non-Aligned Countries, it was suggested that the Chairman of the Group of 77 and the Non-aligned Coordinating Bureau should continue to be invited to participate in each other's meetings. It also recommended harmonization and integration, wherever possible, of the Caracas Programme of Action and the Action Programme for Economic Cooperation, and endorsed the proposal of the Jakarta Summit of the Movement of Non-Aligned Countries of 1992 to establish a Joint Coordination Committee to enhance collaboration and avoid duplication of efforts between the Movement of Non-Aligned Countries and the Group of 77.

44. Regarding support mechanisms for the Caracas Programme of Action at Panama, the Intergovernmental Committee recommended, among other things, sectoral meetings each year to maintain the momentum of the Caracas Programme of Action; increased coordination between the chapters of the Group of 77 on ECDC; and intersessional meetings of the Joint Coordination Committee of at least three days in New York before the annual Senior Officials' Meeting of the Group of 77. The meeting also recommended promotion of ECDC activities within the private sector and the organization of orientation seminars with the help of the United Nations. It expressed appreciation for the report of the South Commission and made several recommendations, in particular that attention should be given to the services sector in view of its importance and that a mechanism shall be set up for developing countries to discuss matters pertaining to debt.

45. Under the umbrella of the Group of 15, some 19 projects for cooperation among interested developing countries have been launched. They include environment, mining and river and watershed recovery; geological and mineral research; external networking of public telecommunications; TCDC; cooperation in

design and execution of petroleum gas and petrochemical projects; a South renewable energy promotion centre; establishment of gene banks of medicinal and aromatic plants; applications of solar energy; computer training centre; vocational training centre; cooperation in the food sector; population and family planning; external debt; self-propelling growth schemes; SITTDEC; a financial mechanism for enhanced trade among developing countries; utilization and development of non-metallic mineral raw materials; transfer of technology and development; and a business and investment forum.

46. There was great enthusiasm among the countries concerned for this major new initiative for South-South cooperation, which went beyond the objectives of the Caracas Programme of Action inasmuch as it sought, as the Group's annual meetings progressed, to articulate at the level of heads of Government the economic problems faced by the South and to engage the North in a constructive dialogue. Chief among these issues were the ones relating to external debt and international trade, with special emphasis on trade in commodities. The expectations peaked with the summit meeting held in Senegal in 1992. Since then, interest in the Group of 15 can be said to have diminished.

47. As for the projects launched under the programme of cooperation, progress on most of them has been slow.

VI. EVALUATION OF SOUTH-SOUTH COOPERATION IN PARTICULAR SECTORS

A. South-South trade

48. As shown in paragraphs 7 and 8 above, South-South cooperation has been operationalized largely within subregional and regional groups where, with few exceptions, the emphasis has been on trade liberalization and to some extent on monetary and financial cooperation also. In recent years, the process of economic liberalization, often within the framework of structural adjustment programmes (SAPs), is giving rise to greater policy convergencies among developing countries and a general lowering of barriers to mutual trade. This process is having a marked beneficial effect on South-South trade, which, since the mid-1980s, has been on a steady upward path, with trade in manufactures assuming increasing importance.

49. The growth in trade, however, is accounted for largely by the dynamic economies of South and South-East Asia, but recent rapid growth in the intratrade of the MERCOSUR countries is also a major feature of South-South trade. Despite the recent advances, South-South trade remains small, and its further expansion will require a major effort to remove the impediments that still remain, including tariffs and non-tariff barriers, but it will also require action to diversify and strengthen production capacities and complementarities and improve such trade support measures as physical infrastructures, trade information and financing. Other direct action like trade fairs and cooperation among business enterprises would also have a useful role to play.

Table 1. Interdeveloping country trade by region, 1970-1992 a/

(In millions of United States dollars)

Origin (exported from) developing		Destination (imported to) developing					
		Africa	America	Asia	Oceania	Total	World
Africa	1970	672	236	494	2	1 494	12 021
	1980	2 978	5 879	3 264	1	12 962	94 942
	1986	2 821	1 374	2 590	3	7 356	45 829
	1990	3 933	708	3 624	4	8 764	66 698
	1991	4 467	1 032	3 768	4	10 145	70 092
	1992	5 229	1 211	3 504	7	9 950	70 120
America	1970	119	3 029	303	8	3 519	17 513
	1980	2 399	22 985	3 763	108	29 645	107 879
	1986	1 706	14 903	5 187	12	22 037	86 045
	1990	1 948	18 174	8 145	32	28 566	133 596
	1991	1 647	23 139	5 866	54	33 886	136 644
	1992	1 907	28 941	9 299	33	40 181	135 429
Asia	1970	895	507	6 115	89	7 735	27 126
	1980	8 894	15 764	84 389	682	110 980	372 915
	1985	7 232	10 394	94 184	585	113 489	306 246
	1990	12 843	9 653	191 008	1 110	215 801	557 249
	1991	15 670	12 460	231 037	1 178	261 110	820 861
	1992	12 682	16 411	276 616	1 169	306 878	700 240
Oceania	1970	0	0	3	7	10	482
	1980	0	6	143	83	232	2 184
	1986	1	1	269	102	372	2 121
	1990	1	3	330	171	504	2 821
	1991	1	3	442	174	620	3 317
	1992	0	0	433	93	526	3 240

Origin (exported from) developing		Destination (imported to) developing					
		Africa	America	Asia	Oceania	Total	World
Total	1970	1 746	3 794	7 022	105	12 948	58 822
	1980	15 007	44 698	92 414	876	155 477	586 898
	1986	12 340	26 826	103 188	702	144 941	451 538
	1990	19 439	28 648	204 161	1 318	255 514	774 756
	1991	22 660	36 707	244 811	1 410	307 008	840 463
	1992	20 075	46 632	290 445	1 303	358 456	922 981
World	1970	11 836	18 617	28 486	738	62 785	311 905
	1980	84 367	126 105	170 078	2 994	504 035	2 000 949
	1986	60 525	97 984	298 552	3 147	481 799	2 112 988
	1990	81 938	132 109	527 876	5 036	772 724	3 391 906
	1991	81 869	150 012	599 071	5 153	850 442	3 438 566
	1992	82 803	177 717	689 891	5 371	955 783	3 685 967

Source: UNCTAD secretariat calculations based on data from the United Nations Statistical Division.

a/ Taken from UNCTAD document TD/B/CN.3/14.

50. Trade policy in developing countries to emphasize liberalization also goes hand in hand with other outward-oriented and structural adjustment policies (currency devaluation, facilitation of foreign direct investment, privatization, deregulation of industries). Many countries are taking important steps to open up their economies and to foster their integration into world markets. They are reducing and simplifying their tariffs, often in the context of wide-ranging economic reforms. Considerable import liberalization measures in the non-tariff areas are also being implemented unilaterally in a number of countries.

51. In parallel with the implementation of liberalization measures both within groupings and globally, some initiatives to increase interregional trade flows among developing countries have been launched. For example, the first Afro-Arab trade fair was held at Tunis in October 1993 under the auspices of OAU, the League of Arab States (LAS) and the Government of Tunisia. Another initiative is the conference of governors and senior officials of central banks, which was first held in 1990 as part of a programme of cooperation between economic operators from Africa and Latin America. The second conference was organized by UNCTAD, in collaboration with Promociones Exteriores Canarias and the Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife in March 1994 at Santa Cruz de Tenerife, Canary Islands (Spain). The conference considered, inter alia, the role of central banks in fostering trade expansion and economic cooperation between Africa and Latin America.

Table 2. Intraregional and intragroup trade in Africa a/

Country group	Intragroup trade (millions of US$)			Intratrade/world (percentage share)		
	1990	1991	1992	1990	1991	1992
Africa b/	3 933	4 867	5 229	5.9	6.9	7.5
UMA	727	772	945	2.3	2.4	3.0
UDEAC	139	111	120	2.4	1.9	2.1
ECCAS	171	146	158	2.3	1.9	2.1
ECOWAS	1 470	1 425	1 567	8.3	9.1	7.8
PTA	662	642	707	6.6	6.5	6.7
SADC	360	303	333	5.2	4.4	4.4

Source: Handbook of International Trade and Development Statistics, 1993 (United Nations publication, Sales No. E/F.94.II.D.24), table 1.13.

a/ Taken from UNCTAD document TD/B/CN.3/14.

b/ UNCTAD secretariat calculations based on data from the United Nations Statistical Division.

52. The Executive Committee of the Association of African Trading Enterprises has launched initiatives aimed at promoting the Association in African countries, particularly through the formation of a network of Association representatives in each African country, the creation of subregional committees of trading enterprises, and the organization of commercial missions with the overall objective of expanding intra-Africa Trade. Furthermore, African Ministers of Trade, at their conference in Tunisia in October 1994 on the Uruguay Round and African economies, stressed, inter alia, the need to increase national efforts to promote the diversification of production and the expansion of trade.

53. A meeting of enterprises of Asian and Latin American countries of the Pacific Basin in November 1992 at Santiago (Chile) established a coordination committee with the mandate to produce a programme of action and to establish contacts with cooperation organizations in the Pacific Basin with the aim of preparing technical assistance programmes in support of trade.

54. As regards intratrade in Asia, a prominent feature concerns the continuing high growth rates seen in South-East Asia due to effective exploitation of subregional complementarities, the promotion of "growth triangles" and rapid investment flows. 5/

Table 3. Intraregional and intragroup trade in Asia a/

Country group	Intragroup trade (millions of US$)			Intratrade/world (percentage share)		
	1990	1991	1992	1990	1991	1992
Asia b/	191 008	231 037	276 616	21.4	37.2	39.5
GCC	7 230	7 031	7 150	8.3	8.5	7.6
ECO	1 263	977	1 128	3.6	2.7	3.0
ASEAN	26 288	31 387	30 858	18.6	19.3	19.4
BA c/	1 512	1 761	1 941	2.2	2.3	2.4
SAARC	811	974	1 052	8.6	9.1	8.6

Source: Handbook of International Trade and Development Statistics, 1993 (United Nations publication, Sales No. E/F.94.II.D.24), table 1.13.

a/ Taken from UNCTAD document TD/B/CN.3/14.

b/ UNCTAD secretariat calculations based on data from the United Nations Statistical Division.

c/ Bangkok agreement.

55. In Latin America and the Caribbean, the results of macroeconomic policy stabilization, structural adjustment and opening up to the world economy through the adoption of liberal economic policies are beginning to show in the trade performance of the region. Both intraregional trade and trade among countries members of subregional integration groupings have been showing buoyancy throughout the 1990s. For example, between 1990 and 1994, the share of intragroup trade more than doubled in the Andean Group and in MERCOSUR. It also rose almost as impressively in ALADI. Furthermore, the fact that the region is absorbing an increasingly greater proportion of its overall exports is a sign of growing complementarity among the countries. 6/

Table 4. Latin America and the Caribbean intraregional and total exports, 1990-1994 a/

(In billions of United States dollars and percentage shares)

	1990	1991	1992	1993	1994
ALADI					
- Intraregional	12.2	15.0	19.4	23.6	26.3
- World	112.7	110.6	115.7	122.2	134.6
ALADI/World	10.8%	13.6%	16.8%	19.3%	19.5%
Andean Group					
- Intraregional	1.3	1.8	2.2	2.9	3.5
- World	30.8	28.6	28.1	28.5	29.2
Andean Group/World	4.1%	6.2%	7.9%	10.1%	11.9%
MERCOSUR					
- Intraregional	4.1	5.1	7.2	10.0	11.4
- World	46.4	45.9	50.5	54.3	59.7
MERCOSUR/World	8.9%	11.1%	14.3%	18.5%	19.1%
Central American Common Market					
- Intraregional	0.6	0.7	0.9	1.1	1.2
- World	3.9	4.0	4.7	5.1	5.8
CACM/World	16.0%	17.4%	19.8%	22.4%	20.8%
CARICOM					
- Intraregional	0.4	0.4	0.5	0.6	na
- World	3.9	3.8	4.1	4.3	na
CARICOM/World	12.6%	11.6%	11.6%	12.8%	na
Latin America and the Caribbean					
- Intraregional	16.0	19.3	24.4	29.2	32.3
- World	122.0	120.3	127.6	134.9	148.4
Latin America and the Caribbean/ World	13.1%	16.0%	19.2%	21.7%	21.8%

Source: ECLAC, "Preliminary overview of the Latin American and Caribbean 7economy, 1994" (LC/G.1846, 20 December 1994), box 2.

a/ Taken from UNCTAD document TD/B/CN.3/14.

56. At the intraregional level, a particularly significant development in the area of South-South trade expansion has been the launching of the second round of trade negotiations following the adoption of the Teheran Declaration in November 1991 by the GSTP ministerial meeting. This second round, which is now well under way, aims at facilitating the process of accession to the GSTP for countries other than the 48 that participated in the first GSTP agreement and carrying forward the exchange of concessions into new areas involving direct trade measures, non-tariff barriers and sectoral agreements.

B. Monetary and financial cooperation

57. As regards the second major area of focus in integration arrangements, namely monetary and financial cooperation, the main instrument used by developing countries for cooperation in these areas are clearing and payments facilities, although there have also been attempts at cooperation in the area of currency convertibility and some groupings have studied the question of monetary union.

58. In recent years clearing and payments facilities have performed better than in earlier periods. The recent growth in intragroup trade has been accompanied by a corresponding increase in transactions channelled through them. However the bulk of both intragroup trade and total transactions channelled is concentrated in two facilities, namely the Asian Clearing Union, which in 1991 accounted for 11 per cent of aggregate intragroup trade and 13 per cent of aggregate transactions channelled, and the ALADI Reciprocal Payments and Credit Arrangements, with 76 per cent and 84 per cent respectively. The other facilities account for only modest volumes of trade and clearing. On a more positive note, some have launched innovative schemes for reducing the use of foreign exchange in regional transactions, for example the introduction by the PTA of a traveller's cheque, while among other developing countries a limited number of multilateral trade financing and export-credit guarantee facilities have been established, and in others financial resources are being increasingly mobilized through the establishment of regional capital markets.

VII. EMERGING ISSUES AND NEW REALITIES

59. The post-war world has been characterized by far-reaching changes in the global economy and political structure, but in the last 5 to 10 years these changes have been truly phenomenal, giving rise to increasing interdependence of the world economy, whose main features are growing globalization and liberalization, accompanied by the creation and expansion of economic and trading blocks built around major centres of economic power and sometimes comprising both developed and developing countries; the emergence of new centres of economic growth in East Asia and, more recently, in Latin America also; and, importantly, the growing interrelationship among the component parts of the international economic system.

60. Side by side with these developments is a fundamental rethinking of concepts of economic development models. At the same time, however, there are many countries that are not altogether convinced that the answer necessarily

lies in an unquestioning faith in the opening-up of economies and discarding in their entirety the structures of planning and control and protection for local industry. Such countries remain apprehensive about the immediate and long-term sociological consequences that such a dramatic turn-around in policies might imply. 7/

A. Globalization and liberalization

61. Most developing countries, however, are still not fully familiar with the new development paradigm of globalization and liberalization, much less are they able to position themselves to take advantage of these global developments. They see capital flows increasing at alarming rates, in terms of both volume and rapidity of transfers and financial markets being more and more integrated. They are aware of the continuing and unprecedented revolution in transportation, more especially in communications, and they are witness to the activities of transnational corporations, whose global roles are being continuously enlarged as a result of their expanding market shares and investment capacities. The problem facing a large number of developing countries is how to become a part of this global process and reap the benefits.

62. The problem is particularly acute in the case of those developing countries that have a narrow range of exports products and for which neither significant export growth nor export diversification is a realistic option in the short to medium term.

63. Moreover, developing countries that are raw-material and commodity dependent view future prospects with increasing apprehension. The long-term trend in prices appears to be downwards owing, at least in part, to the rapid change in the proportion of value added from materials to knowledge, not merely in the rapidly growing services sector but more ominously in traditional manufactures too.

64. Among developing countries with more promising growth prospects, the view prevails, however, that continuing protectionism in developed countries, even in the post-Uruguay Round, will remain a major impediment to the long-term development of developing countries. Current moves by developed countries to link environmental issues and labour standards to trade within the World Trade Organization is seen by many of these developing countries as being prompted by protectionist tendencies, because the charge of lower environmental and labour standards in the South could well be used as justification for the adoption of measures in the importing countries that would make the exports of developing countries uncompetitive. 8/

B. The growth of trade and economic blocks

65. As a direct reaction to globalization and liberalization trends in the world economy, there have emerged an intensification and expansion of regional economic cooperation arrangements everywhere whose main features are (a) the formation of large economic and trading blocks around the major markets of the United States and the European Union; (b) the emergence of economic and trade

cooperation schemes involving both developed and developing countries; and (c) the revival of interest in integration among developing countries. 9/

66. An outstanding example of the former is the North America Free Trade Area (NAFTA) involving the United States, Canada and Mexico. A number of Latin American and Caribbean countries are actively seeking membership of the group, and the accession of Chile is eminent. In Asia and the Pacific, the Asia-Pacific Economic Cooperation (APEC) Forum has been launched involving Australia, Brunei Darussalam, Canada, China, Taiwan Province of China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Republic of Korea, Singapore, Thailand and United States. Elsewhere, discussions about a free trade agreement have taken place between the European Union and a number of groupings of developing countries in North Africa and Latin America, while Latin American and Caribbean Heads of State and Government at a summit in Miami in December 1994 agreed to establish a free trade area covering the entire hemisphere.

C. Revival of interest in economic cooperation and integration

67. Beginning in the 1980s, there has been a marked revival of interest in economic cooperation and integration following a long period of stagnation and even retrogression, when many believed that economic integration was in crisis. Today there are few developing countries that are not members of one or another subregional or regional economic cooperation and integration grouping. This new wave of interest was a direct reaction to the changing international economic environment as countries began to see more clearly the role of cooperation and integration as a strategy for both national development and for facilitating fuller participation in the global economy and how, in particular, integration can accommodate their vital national concerns.

68. New groupings have been formed where none existed before. All groupings began applying new approaches to cooperation and integration, with the result that past market integration measures that relied almost exclusively on import substitution strategies behind high tariffs have now given way to more outward-oriented approaches that also aim at facilitating the integration of the countries into the wider world economy. At the same time, market integration is being increased by combining it with other measures in the areas of production, money and finance, and infrastructure, among others, designed to generate and sustain intratrade. Moreover groupings are now adopting approaches referred to as "open or flexible regionalism" 10/ that permit economic cooperation within a wider economic space but more importantly also involve both a widening and deepening of cooperation embracing such diverse fields as insurance, tourism, environment and poverty alleviation, to name only a few. A second important feature of these arrangements is that they permit a very flexible approach to the membership of groupings, so that the economic cooperation and integration process within any grouping can proceed at different speeds or can involve only those countries that have an interest in pursuing any particular activity or initiative.

D. The Uruguay Round

69. An important action of the Uruguay Round with far-reaching implications for South-South cooperation is the establishment of a permanent framework in which trade and related issues can be discussed, negotiated and administered on a continuing basis. 11/ The World Trade Organization (WTO) has a mandate to implement, administer and facilitate the operation of all the Round's agreements and to provide a forum for future negotiations. Strengthened dispute settlement mechanisms are a feature of all the agreements, and new fields such as agriculture, textiles, services, investment and intellectual property have been brought into the multilateral framework and provided with definitions and structures necessary for conducting future negotiations. Linkages have also been established between trade and other areas such as labour and foreign investment, while increasing attention is being paid to the environmental aspects of trade policy.

70. Few developing countries have the managerial and technical capacities necessary to deal with the range of subject-matter resulting from the Uruguay Round. It has been asserted that, as a group, developing countries were at a distinct disadvantage during the course of the Round and that most were unable to safeguard their essential interests. Many did not participate adequately in the discussions that led to the Round's results, even though at the end they were all part of the final decision to approve those results.

71. The Uruguay Round agreements are extremely complex, lengthy and detailed. They encompass many areas that developing countries can exploit to their advantage, but they also include as many areas where action will need to be taken in order to minimize adverse results. If many developing countries had difficulty keeping abreast with the Uruguay Round negotiations, the problem will be multiplied several-fold in the implementation of the agreements and in the continuing negotiations that are a feature of WTO.

E. The role of the private sector and non-governmental organizations

72. South-South cooperation initiatives have mainly been undertaken on a Government-to-Government basis but the programmes of reform that are under way in most countries, as well as the changes that are taking place on the international scene, have significantly increased the influence of the private sector and non-governmental organizations (NGOs) on decision-making processes at all levels and the manner in which these are implemented.

73. The success or failure of South-South cooperation initiatives could well depend on the degree and level of participation of the private sector and NGOs in the South-South decision-making processes.

F. The special needs of Africa

74. While many developing countries have to grapple with severe problems in trying to cope with the challenges of development in the contemporary world, the problems facing African countries are especially severe. The recovery that has been witnessed in much of the developing world in recent years has largely bypassed Africa even though, as has been the case in other countries, African countries have adopted and pursued wide-ranging economic reforms and far-reaching measures to improve the climate for business, including the introduction of more participatory forms of government. An assessment of the outcome of the United Nations Programme of Action for African Economic Recovery and Development concluded, inter alia, that the programme had revealed broad acceptance by African countries of the need for economic reforms based on market-oriented and more flexible forms of economic management with a greater role for the private sector. 12/ Yet the Programme of Action failed to live up to expectations: its successor, the United Nations New Agenda for the Development of Africa in the 1990s is seen as a second chance for the continent to achieve accelerated transformation, integration, diversification and economic growth. The success or failure of the New Agenda hinges first and foremost on the commitment of African countries to the programme, but it will also rest crucially on the support which the programme receives from Africa's development partners among developing countries and from the international community as a whole.

VIII. SUPPORT FOR SOUTH-SOUTH COOPERATION

A. Developed country support 13/

75. In recent years, developed countries and multilateral institutions have shown an increased disposition to support South-South cooperation initiatives, and this support takes a variety of forms, ranging from policy dialogues at the level of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) to practical support at both the multilateral and the bilateral levels, to specific ECDC programmes and projects or specific cooperation and integration groupings of developing countries. A notable example of the former is the September 1992 OECD/DAC policy meeting, which provided the occasion for the donor community to review its development assistance policy and to examine how best it could support regional economic cooperation and integration among developing countries. The results of the meeting confirmed the member countries' new approach to the economic integration initiatives of the developing countries and their readiness to incorporate aspects of regional cooperation and integration into their development assistance programmes. The meeting also decided to explore the possibilities of encouraging the rationalization and strengthening of regional institutions and to respond favourably to the efforts of developing countries to work together and to help to identify areas particularly suited to regional approaches.

76. At the bilateral level, an increasing number of developed countries and their institutions are taking steps of both an organizational and procedural kind in order to be better able to respond to the ECDC-related aspects of their development assistance programmes and, specifically, to encourage and support

regional cooperation initiatives. Some have established a special "window" or a special regional fund to provide development finance for multicountry projects and programmes. Others have taken the policy decision to concentrate their development assistance in a limited number of regions in order to maximize its impact.

77. The internal structure as well as the working procedures of the main donor countries and institutions reflect this interest in regional cooperation and integration. A notable example is the European Union, which has a long history of providing financial and technical cooperation support for regional cooperation and integration dating back to the Second Yaoundé Convention of 1969. Its own success in European integration and the experiences it has gained in that process would probably explain the important role it has been prepared to play, within the donor community, in supporting regional economic cooperation and integration. For example, at meetings that it organized in October 1991 and February 1992, in connection with the Special Programme of Assistance to the indebted sub-Saharan African countries, the Union (then the European Economic Community) called for further studies on possible approaches to incorporating a regional dimension into SAPs, suggesting that it might play a key role in development assistance to regional grouping and intergovernmental organizations in sub-Saharan Africa in the next decade. In its report, "Regional integration and structural adjustment", the Union identified a number of fields where regional integration and structural adjustment could reinforce each other, such as coordination of macroeconomic and sectoral policies among neighbouring countries.

78. Among the multilateral organizations, the World Bank, which had previously paid limited attention to regional integration, has in the recent past been adopting an unambiguous supportive role, as manifested in several of its activities in Africa in particular, and the United Nations Development Programme (UNDP) has made support for regional economic cooperation a central feature of its programming cycles. Similar approaches are evident in the programmes of all the major bilateral donors.

79. Yet another manifestation of the new attitude in developed countries to the ECDC efforts of developing countries can be seen in the growing popularity of development partner dialogue relationships, working through consultative conferences, round tables and other mechanisms. ASEAN, SADC and the South Pacific Forum hold annual consultative meetings with interested development partners. ECOWAS held its first donor conference in 1992 and PTA/COMESA in 1994.

B. United Nations system

80. Support for South-South cooperation has always been one of the more important aspects of the development mission of the United Nations and its agencies. UNCTAD, which has been designated by the General Assembly as the focal point within the United Nations system for ECDC, has played a central role in the delivery of such support, acting either alone or in collaboration with other United Nations departments and agencies. For example it has played a leading role through studies and technical assistance in the establishment of

subregional and regional economic cooperation schemes among developing countries, covering all the sectors, and it has in a variety of other ways supported South-South cooperation activities at both the regional and interregional levels.

81. In addition to UNCTAD's work, other United Nations departments and agencies are effectively supporting South-South cooperation activities either through ECDC or TCDC modalities. The role of UNDP, whether as a source of funding for the ECDC/TCDC support programmes and projects of other departments and agencies, as a source of technical cooperation in its own right or as a provider of substantive policy input, or because of its catalytic influence, has been critical.

82. Other United Nations organizations are actively supporting South-South cooperation in their respective areas of competence. They include, notably, the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), the International Trade Centre UNCTAD/GATT (ITC), the United Nations Educational, Scientific and Cultural Organization (UNESCO), UNIDO and the World Health Organization (WHO). Valuable assistance in promoting South-South cooperation initiatives is also being provided by the United Nations regional commissions.

Notes

1/ See for example, the report of the South Commission, New York, Oxford University Press, 1990, especially pp. 143-155 for a detailed discussion on this point.

2/ This section is based on document TD/B/CN.3/9.

3/ See UNCTAD document TD/B/39(2)II, especially para. 5.

4/ South-South cooperation arrangements may take different forums, depending, inter alia, on the degree of geographical and cultural closeness among the countries concerned. The deepest form is that of economic integration in subregional and regional schemes. The movement for these schemes was stimulated in the 1950s with the creation of the United Nations regional commissions. Beginning with the Latin American Free Trade Association in 1960, schemes were established throughout the developing world. South-South cooperation, i.e. cooperation at the interregional level, is a relatively new phenomenon. Bilateral cooperation at the interregional level is quite common, but GSTP is the only example of an interregional scheme.

5/ This growth is not, however, evenly distributed throughout the Economic and Social Commission for Western Asia (ESCWA) region. Intra-Arab trade for instance is marginal and, according to ESCWA, the share of intraregional trade of the ESCWA region in the total trade in 1989, 1990, 1991 and 1992 was 11.4 per cent, 10.4 per cent, 9.0 per cent and 10.4 per cent respectively.

6/ UNCTAD/ECDC/238.

7/ There have been calls not only from developing countries and their institutions but from developed countries also that SAPs supported by the multilateral institutions should pay greater attention to their social impact. This view is discussed at length in, for example, UNCTAD's Trade and Development Reports, 1993 and 1994.

8/ See the background note by Julio A. Lacarte: "The link between the Uruguay Round results and South-South cooperation".

9/ See TD/B/CN.3/9.

10/ See TD/B/CN.3/15.

11/ See supplement to the UNCTAD Trade and Development Report 1994, "The Uruguay Round: an initial outcome assessment".

12/ See TD/3/39(2)11 and UNCTAD/ECDC/228.

13/ Based on document TD/B/CN.3/GE.1/4.

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SOUTH-SOUTH COOPERATION
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EXPANDING SOUTH-SOUTH COOPERATION: SOME SUGGESTED ISSUES AND MODALITIES

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I. SUMMARY AND INTRODUCTION

1. The purpose of the present report is to assist the intergovernmental group of experts established by the General Assembly in its resolution 46/96 of 19 December 1994, inter alia to recommend substantive issues and practical modalities for expanding South-South cooperation. It is supplemented by the reports of the meeting of the High-level Committee on Technical Cooperation among Developing Countries, held in New York from 30 May to 2 June 1995 and the United Nations Conference on Trade and Development (UNCTAD) Standing Committee on Economic Cooperation among Developing Countries, held at Geneva from 19 to 23 June 1995.

2. In section II, the report draws on lessons learned from the experience gained with formal subregional and regional cooperation and integration schemes for pointers concerning strategies for promoting and managing South-South cooperation at the global level. It cautions against attempts to undertake ambitious programmes all at once, suggesting instead a gradual and progressive execution of specific activities involving groups of countries with common interests. It also emphasizes the dynamic and changing demands of South-South cooperation.

3. Institutional aspects of South-South cooperation at the national, regional and global levels are reviewed and the machineries that are in place are shown to be largely deficient. This deficiency is viewed as being one of the major causes of the poor record of achievement of South-South cooperation initiatives. Accordingly, suggestions are made for improving capacities at all levels.

4. By way of illustration, the report recommends an approach for identifying, preparing and implementing specific activities for cooperation in a cluster of sectors covering trade (including services) and investments. Finally, the report deals with the question of international support to South-South cooperation from the countries members of the Organisation for Economic Cooperation and Development (OECD) and from the international organizations, especially UNCTAD and the Special Unit for Technical Cooperation among Developing Countries of the United Nations Development Programme (UNDP).

II. ISSUES IN SOUTH-SOUTH COOPERATION

A. Agenda

5. There is no shortage of ideas for expanding South-South cooperation. These ideas are contained in the Caracas Programme of Action on Economic Cooperation among Developing Countries (A/36/33), the Action Programme for Economic Cooperation of the Movement of Non-Aligned Countries, the initiative of the Group of Fifteen, the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries, 1/ the report entitled The Challenge to the South: the Report of the South Commission, 2/ especially the report's programme of priority action for South-South cooperation, various recommendations of the UNCTAD Trade and Development Board and of the Conference itself, among others.

6. The General Assembly's call, in its resolution 49/96, for recommendations on substantive issues and practical modalities for strengthening South-South cooperation is a clear indication that the objectives of these initiatives have not always been realized. Closer attention needs to be given therefore to the impediments that may have stood in the way of realization of such objectives. In doing so, it would be useful to consider some basic lessons from South-South cooperation experiences.

B. Learning from experience

7. There is much more experience with formal subregional and regional economic cooperation and integration schemes of developing countries than with interregional (South-South) cooperation arrangements, but the lessons drawn from the former are none the less generally applicable to the latter. One of the important lessons to be learned is that efforts aimed at cooperation should not seek to embark immediately on ambitious schemes of broad and general scope on various points at the same time. Experience demonstrates that attempts to undertake extremely ambitious actions are, as a general rule, counterproductive in any efforts to achieve cooperation among the participating countries. What tends to be the more successful approach in the long run is cooperation based on the gradual and progressive execution of actions to promote programmes and projects for the joint development of economic activities. Wherever appropriate, these activities should also be limited both in coverage and number of participating countries and they should respond to or reflect a desire on the part of the developing countries concerned to work together to take maximum advantage of the potential resources that they possess. There is scope for multilateral South-South cooperation involving all the linkages that are foreseen and all developing countries, as is the case, for example, in the Global System of Trade Preferences, but a multilateral approach to South-South cooperation should also emphasize the strengthening of more limited initiatives involving groups of countries with common interests, provided that care is taken to ensure that such initiatives do not adversely affect the vital interests of other developing countries and provided also that there is enough flexibility in the arrangements to enable other countries to join in the initiative when they are able to do so.

8. Experience has shown that at the subregional and regional levels, South-South cooperation schemes should start modestly and with a minimum set of instruments that are applied with the greatest degree of flexibility possible. As in the case of regions and subregions, efforts should be made at the interregional level to develop actions with modest objectives in particular sectors, including actions based on concrete programmes and projects. Such arrangements will involve countries in different regions of the developing world, sometimes with different interests arising from differences in their levels of development backgrounds and historical experiences. It is important therefore that great flexibility, creativity and innovativeness is exercised in their conceptualization, design and implementation. This is only to recognize and accept that there are many different levels of intensity of cooperation and the level at which each country enters a scheme of cooperation will be determined in terms of its own national interest.

9. Another lesson that can be learned is that existing machinery for promoting and managing South-South cooperation at the global level is both deficient and cumbersome to the point where many developing countries find it difficult to cope. There is a need for simplification but there is an even greater need to avoid duplication both in respect of subregional and regional arrangements and in international forums. In respect of the former, the need has been stressed for greater attention to be given to the streamlining and rationalization of regional arrangements, 3/ while in respect of the latter recent poor attendance at meetings may not reflect lack of interest as such, but rather the enormous costs developing countries face in attending meetings. 4/

10. In the context of rationalization and simplification and of enhancing the effectiveness of South-South cooperation at the global level, some further considerations might merit the attention of developing countries, as outlined below.

C. The Movement of Non-Aligned Countries and the Group of 77

11. An important action emerging out of the Eighth Meeting of the Intergovernmental Follow-up and Coordination Committee of the Group of 77 on Economic Cooperation among Developing Countries, held at Panama City from 30 August to 3 September 1993, 5/ was the suggestion that the Chairmen of the Group of 77 and the Coordinating Bureau of the Movement of Non-Aligned Countries should continue to be invited to each other's meetings. The Intergovernmental Follow-up and Coordination Committee also recommended harmonization and integration, wherever possible, of the Caracas Programme of Action and the Action Programme for Economic Cooperation and it endorsed the proposal of the summit meeting of the Movement of Non-Aligned Countries held at Jakarta in 1992 to establish a joint coordination committee to enhance collaboration and avoid duplication of efforts between the Movement of Non-Aligned Countries and the Group of 77.

12. Developing countries will need to consider whether harmonization and collaboration by themselves are sufficient conditions to ensure effectiveness, bearing in mind that within the Group of 77 alone, for example, existing machinery includes meetings of the Group of 77 chapters, of experts, the Intergovernmental Follow-up and Coordination Committee, national focal points for economic cooperation among developing countries and inter-sessional meetings, among others. These meetings might be useful in principle but it might also be possible that their sheer number and the effort required both to service and attend them imposes a heavy burden on the vast majority of developing countries, thereby detracting from their effectiveness because of their level of participation. While there may be political imperatives to the contrary, there may also be need to stress the value of merging and not merely harmonizing and coordinating the programmes of the Movement of Non-Aligned Countries and the Group of 77. 6/

D. Dynamic and changing demands of South-South cooperation

13. There is a need for a conscious recognition of the dynamic and changing demands of South-South cooperation and the needs of individual developing countries in this regard. For example, the imperatives of a number of developing countries that have undergone high rates of economic growth over the years have changed dramatically. Some of them are already in the category of developed countries by certain criteria. The fact of evolution from the developing to the developed world is now seen as finite. The texture and composition of the developing world is dynamic, not constant, and the demands and needs of developing countries must change with development.

14. A conscious recognition of such factors would help developing countries evolve new and appropriate strategies for South-South cooperation which correspond to new realities for countries with different developmental needs, and thereby serve them better. This would also help to impart a practical orientation to South-South cooperation by discarding any outdated notions about, and approaches to, South-South cooperation, and by updating the political momentum of earlier years, which had its genesis in a vastly different political and economic environment.

E. Organic growth of South-South cooperation

15. South-South cooperation must be helped to grow organically. Apart from institutional efforts for economic cooperation among developing countries and technical cooperation among developing countries, such as the Caracas Programme of Action and the Action Programme for Economic Cooperation, developing countries and international organizations should make renewed efforts to create conditions in which South-South cooperation should grow organically. Essentially, the actors for operational economic and technical cooperation among developing countries are in the business sector, whether State-owned or private, and whether through chambers of commerce and other business associations or individually. International, interregional, regional and subregional organizations, along with organizations of the United Nations system, should make renewed efforts to promote such cooperation in every way that would help create conditions in which South-South cooperation was not merely a matter between Governments but benefited from the participation of all economic actors that had a contribution to make. Such promotional efforts should include carefully structured meetings of chambers of commerce and other business organizations. This would provide a meeting ground on a multilateral plane for ideas and joint action among representatives of enterprises from different developing countries and between them and Governments. The enterprise sector will need to be part of the process both in the formative and negotiation stages of a cooperation programme or project, bearing in mind that any successful strategy for strengthening South-South cooperation must contain instruments to mobilize the financial, managerial and technological capacities of the private sector. 7/

III. INSTITUTIONAL ASPECTS OF SOUTH-SOUTH COOPERATION

A. Political support

16. In his preface to the report of the South Commission, the Chairman of the Commission wrote:

> "We do, however, recommend an expansion of South-South cooperation, and it is obvious that when a group of countries have decided to work together, within an agreed framework they need to give continuing political support and to allocate sufficient human and material resources for the work to be carried through efficiently and expeditiously". 2/

17. That there is strong political support for South-South cooperation is confirmed by the many resolutions and decisions emanating from forums of various developing countries, including the Group of 77, the Movement of Non-Aligned Countries, the Group of Fifteen and others. Such support is also reflected in the decisions, resolutions and recommendations of a variety of regional and international forums, including the General Assembly 8/ and its subsidiary bodies. Yet the continuing low level of South-South cooperation activities, especially at the global level, 9/ would suggest that there are major problems translating these decisions, resolutions and recommendations into operational and effective programmes and projects. Many reasons can be advanced for this poor record, among them that South-South cooperation is at its most dynamic when the international economic environment is conducive to growth and development in developing countries and that this has hardly been the case since, for example, the launching of the Caracas Programme of Action in the early 1980s. According to this argument countries have tended to look inwards for solutions to the problems that they face even though there is recognition of the value of joint and coordinated action, especially during periods when countries are experiencing difficulty in their external sectors. Besides, unilateral action taken to address a particular domestic economic problem can sometimes have quite damaging effects on partners in South-South cooperation activities and on the cooperation scheme as a whole. It is in recognition of this possibility that there have been increasing calls that structural adjustment programmes should not lose sight of the regional dimension.

18. Many believe, however, that at least as important a factor in this poor record of achievement is the absence of effective mechanisms at the national, regional and international levels for the identification, preparation and implementation of South-South programmes and projects. 10/ Whatever the expressed political commitments of Governments to South-South arrangements, machinery for the implementation and enforcement of decisions remains deficient and there is a discrepancy between the objectives put forward and the means to realize these objectives. 11/

B. National level

19. At the third meeting of national focal points for economic cooperation among developing countries, which was held within the framework of the Eighth Meeting of the Intergovernmental Follow-up and Coordination Committee, it was

observed that the system of national and sectoral focal points for economic cooperation among developing countries had not functioned effectively since the adoption, in May 1981, of the Caracas Programme of Action. 12/ Moreover, the situation as regards arrangements for technical cooperation among developing countries is hardly better. 13/

20. Recognizing this problem and with a view to assisting countries in addressing the question of implementation at the national level, the UNCTAD secretariat carried out case-studies on Malaysia, Venezuela and Zimbabwe. These studies and other available information show that notwithstanding the impressive performance of the three countries in respect of economic cooperation among developing countries and the fact that many developing countries members of the Group of 77 have established a national focal point for economic cooperation among developing countries, there is generally no established institutional framework specifically entrusted with the task of managing economic cooperation among developing countries. This deficiency is often compounded by the absence of a clearly articulated national policy on South-South cooperation. A coherent national policy would enhance the managerial capability on economic and technical cooperation among developing countries within government and could enable developing countries to take maximum advantage of their participation in cooperation activities and speed up the implementation of relevant decisions and programmes. Such policy and machinery could deal with coordination, monitoring, following up, evaluation and reporting on decision-making and on implementation, and also highlight the consideration of policy issues in their subregional, regional and interregional cooperation and integration contexts.

21. Furthermore, there is need for developing countries to formulate national policies on South-South cooperation in order to see how developments in one country can be linked with those in other countries and to formulate and implement at the national level the policies that would enable each country to take maximum advantage of the possibilities to which South-South cooperation give rise. This means that the location of the institutional arrangement within the government structure for South-South cooperation and, therefore, the influence that it can bring to bear on national decision-making processes becomes crucial. 14/

22. The arrangement will need to be properly staffed and provided with appropriate resources in the government budget to enable it to function effectively as the Government's main intellectual and technical resource on South-South cooperation and as a link between government on the one hand and the private sector and non-governmental organizations on the other, because the active involvement and participation of the latter in both the formulation and implementation of South-South cooperation activities has become indispensable.

23. Regardless of the level - subregional, regional or interregional - at which cooperation is taking place, the question of all countries having appropriate and efficient national machinery is of the utmost importance. Experience to date is that the absence of effective national machinery constitutes a most serious obstacle both to the adoption of decisions of regional and interregional organs and to their prompt and efficient implementation.

C. Subregional and regional levels

24. At the subregional and regional levels, responsibility for initiating and implementing projects and programmes for cooperation often resides in the secretariats of the respective organizations. 15/ As regards integration schemes, an important function of these secretariats should be the encouragement of a process of convergence between national development processes of the member States in order that national development policies and integration policies are developed in a mutually consistent manner. Schemes for market and production integration are unlikely to succeed unless they are designed in a way that provides for careful reconciliation of individual national interests with those of the group as a whole. Likewise, national policies to increase local production, including services, for the regional market and to gear the national economy to interregional trade and other transactions need to take fully into account the strategies, policies and objectives of the integration process as a whole. This suggests that integration groupings also need to set up systems that provide for regular consultations among member States on economic policy, and for policy coordination.

25. Another important role for central secretariats is the identification of new common goals and interests and new forms of joint activities. To the fullest extent possible these might also be represented jointly in negotiations with external entities, whether they be third countries, groups of third countries or private-sector organizations. The point is particularly important at this period of interdependence which has produced a proliferation of meetings and organizations at both the South-South and North-South levels. The consequence is that the transactions and information costs of regional and international cooperation have increased considerably. International technical assistance and perhaps even more significantly, technical cooperation among developing countries, have a role to play in assisting developing countries and their groupings in meeting the information and transactions costs associated with cooperation programmes, but the ultimate responsibility rests with the participating countries themselves.

26. The need for coordination, and joint representation wherever possible, is greatest in the case of relatively less advanced countries and their groupings, but it is a need that is present in most developing countries and groupings and is probably the major cause of the lack of follow-up, implementation and effectiveness of programmes and projects.

27. An action which developing countries might also consider taking to increase the effectiveness of South-South cooperation arrangements is the rationalization of the great multitude of subregional and regional arrangements that now exist, 16/ some of them with overlapping mandates. This raises problems of itself, about wasteful duplication and unnecessary rivalry and suspicions between organizations. The problems which overlapping membership creates are seen at their most acute where a given country has entered into commitments to more than one subregional grouping, with the commitments to one grouping not being in harmony with, but in conflict with, commitments to another grouping. But it also raises serious problems for donors and technical assistance agencies that do not wish to be seen to be "taking sides". 17/

D. Global level

28. The need has been stressed for a permanent machinery to service the South not only in matters relating to South-South cooperation but also in North-South dialogue. A start has been made with a small "core of assistants" to the Chairman of the Group of 77 in New York and a South Centre has been established in Geneva. But these structures are inadequate to meet the requirements of the day. The South needs a permanent machinery to formulate and develop options, prepare negotiating positions, service negotiations, follow-up work on both North-South and South-South issues and act as a framework for consultation on various issues on a permanent basis.

29. In addition, such permanent machinery would be used to identify areas of common interest and possibly joint action at the international level, as also specific areas and indeed specific projects for South-South cooperation, and to identify the support needed at the governmental level. It would also assist countries on request in measures being taken towards liberalization and globalization of their economies, and advise on the manner in which the change in specific situations should be managed. It would be an appropriate forum for interactions at the international level, providing ideas for concrete action in the light of changing circumstances. Technical cooperation among developing countries would have an important role to play here, since developing countries would have much to learn from the experience of others. The following are indicative of the subjects and issues which the permanent machinery would address:

(a) Areas that need common or joint action among developing countries at the international level in specific fields of activity;

(b) Areas of comparative advantage and how to maximize that advantage for developing countries and what measures might be needed beyond the time when that comparative advantage might no longer be available because, for example, of technological changes;

(c) Measures for strengthening the capacities of individual developing countries to deal with situations specific to them, in the light of the experience of other developing countries in similar situations, for example, in debt management, poverty alleviation, the environment, etc.;

(d) Macroeconomic policies for liberalization and globalization; concomitant external financial management, including investment and portfolio flows; and management and operation of capital markets, etc.;

(e) Support measures at the national level for more rapid industrialization. Developing countries could learn a great deal here by analyses of the "success stories" of other developing countries and by exchanging experiences;

(f) Diversification from commodities and lower-scale manufactures into more value-added and knowledge-based industries, involving the acquisition of new skills; and dealing with the far-reaching social consequences of such change;

(g) The promotion of databases in support of South-South cooperation, which has been suggested time and again by developing countries in forums of both the Movement of Non-Aligned Countries and the Group of 77, especially a database such as the South Investment Trade and Technology Data Exchange Centre (SITTDEC) proposed by the Group of Fifteen (see para. 35), and soliciting external support for such databases;

(h) Encouraging and supporting the business sector to take up concrete operational South-South projects that will have been identified jointly;

(i) Encouraging at the national, subregional, regional and interregional levels the implementation of projects such as those adopted by several countries under the auspices of the Group of Fifteen.

30. An area where the need for such machinery will be felt in future concerns participation in the work of the World Trade Organization where joint intensive preparatory work involving countries with common interests will be an essential precondition for effective participation in negotiations. Such countries will need to consult among themselves and reach prior agreement on their negotiating objectives in terms both of the benefits they seek to obtain and on the concessions they are prepared to offer in exchange. The research and policy analysis work which these activities require cannot appropriately be entrusted to any one Government. Yet existing global arrangements are inadequate for these tasks. The contrast between what is available to the OECD countries through their Paris-based secretariat and what currently exists for the benefit of developing countries in New York and Geneva is striking. Developing countries are not in a position even to approximate OECD countries in levels of spending but the gap should not be as wide.

31. The United Nations system, especially UNCTAD, the regional commissions, UNDP and other organizations, including those of developed countries, have an important role to play in providing technical assistance on aspects of both South-South and North-South cooperation. UNCTAD, in particular, needs to be equipped to play a bigger role than it has in the past, in conducting policy research on both sets of issues and to liaise in this respect with other United Nations departments and agencies.

IV. SUGGESTIONS FOR JOINT ACTION

A. Responding to current issues

32. As indicated earlier (see paras. 5-10), extremely ambitious schemes of cooperation tend to be counterproductive, as also are schemes whose objectives are not very clear or that do not address the vital concerns of the participating countries.

33. On the international economic scene there are a few issues that now seem greatly to occupy the attention of all developing countries as revealed by the current literature. 18/ These issues derive from the fundamental changes taking place in the world economy as manifested in growing globalization and liberalization and the actions being taken by both developed and developing

countries in response to these changes. Joint appropriate responses to these developments would probably be of interest to a majority of developing countries and command widespread support. The following is no more than an indication of some of the practical action-oriented projects and programmes on which developing countries might consider taking joint action and whose implementation would greatly strengthen South-South cooperation.

B. Information and communication

34. Information and communication have emerged as essential conditions for participation in the world economy. Yet few developing countries have access to the enormous store of information that the new telecommunications technology makes available for the conduct of economic and trade policies. A project to create a system that would provide vital economic information to developing countries promptly would be extremely complex and costly. However, the benefits of such a system would be so important that they would justify the effort needed to translate the idea into a reality.

35. This idea has in fact been suggested time and again by developing countries, both in the Movement of Non-Aligned Countries and the Group of 77. Among the Group of Fifteen, a relatively recent initiative was the SITTDEC, which was launched in 1990 with Malaysia as the host country. The Centre was designed to be linked to national focal points with a view to collating relevant information and providing information to developing countries members of the project. While the host country has provided a considerable outlay for the project, very little has been forthcoming from other developing countries.

36. It would obviously be desirable to draw upon the experience of existing databases which might be relevant, and to build upon that experience. This includes databases with international organizations such as the Trade Analysis and Information System (TRAINS) of UNCTAD. TRAINS is intended for use by policy makers and economic operators and its components include the UNCTAD database on trade control measures, which covers tariff, paratariff and non-tariff measures. The latter contains elaborated information on the Generalized Scheme of Preferences (GSP) and enables easy access to full details of GSP schemes. TRAINS also includes the IMPORTERS database of the International Trade Centre UNCTAD/GATT which contains details of selected product categories and markets.

37. Databases to promote South-South cooperation would need sustained and substantial technical and financial support to make them viable and useful for developing countries. By their very nature, this would involve continuous updating to ensure their utility. International organizations should assist developing countries, at their request, in setting up functional databases containing information on trade and on economic capacities in developing countries which could assist in South-South cooperation. The emphasis must be practical. In rendering such assistance, international organizations should draw upon institutions and individual talent in developing countries making use to the maximum extent possible of technical cooperation among developing countries modalities. It would also be desirable for developing countries to make a realistic estimate of the inputs over several years and to plan

accordingly. Appropriate assistance could be provided by international organizations and by developed countries.

C. Global System of Trade Preferences among developing countries

38. The second round of negotiations on the Global System of Trade Preferences is well advanced and is expected to lead both to a significant extension of the product and country coverage of the system as well as to its deepening in terms of the depth of tariff cuts, its treatment of non-tariff measures and to its incorporation of a range of direct measures whose accumulative effects should have a significant impact on mutual trade.

39. Consideration might also be given to concluding preferential or cooperation agreements in as many as possible of the areas and topics that were covered in the Uruguay Round negotiations, the object being, as far as possible, to negotiate arrangements among developing countries not only in respect of tariffs but also in the various other areas that impact on trade, particularly those in respect of which concessions were made in the Uruguay Round negotiations.

40. These would involve totally new areas in the context of South-South cooperation. If developing countries were to decide to pursue these issues, it would be necessary to proceed only after detailed technical work had been done in identifying and analysing possible new areas for extending preferences or concluding cooperation agreements among developing countries, the sectors in which these might apply, the corresponding modalities, the benefits that might be expected to accrue and what countries would be the major beneficiaries. The pursuit of these new areas would therefore require an effort at least as extensive as that required for the conceptualization and the preparatory process of the first round of Global System of Trade Preferences negotiations. 19/ Among the areas that would seem to merit study as potential candidates for preferential arrangements and cooperation among developing countries are services and investments.

D. Services

41. As regards services, the assessment of the Uruguay Round results from the standpoint of their importance for developing countries remains largely inconclusive. However, there are indications of some opportunities for gains for developing countries, even from the relatively limited multilateral liberalization implied by the Uruguay Round agreement on services. These gains would be expected to materialize in terms both of the cost of imported services and the scope for growth of exporting services in line with competitive advantage. But achieving competitiveness in these services activities in which there is comparative advantage might require liberalization of the services sector on a scale that many developing countries might find difficult to achieve in the short to medium term but the same countries could, with less difficultly, expose the domestic services sector to regional competition in the first instance, and gradually opening up to the South as a route by which to achieve international competitiveness in the long run.

E. Investment

42. Developing countries as a whole are adopting a range of measures aimed at mobilizing domestic resources for investments and for attracting foreign direct investment, including portfolio investment. Two main approaches are employed to this end. The first consists of measures designed to improve the investment climate and these measures range from those specifically linked to structural adjustment and privatization programmes to more general measures, including wide-ranging domestic economic policy reforms, the liberalization of existing regulatory frameworks and adoption of new ones that are more friendly to foreign direct investment, the simplification of administrative procedures applicable to foreign investors, the conclusion of bilateral investment protection and promotion treaties and accession to various multilateral treaties facilitating the flows of foreign direct investment. 20/ These efforts need to be continued and even intensified in those countries where investment flows continue to be low because the countries are, as yet, not considered to be attractive investment locations. Simultaneously, the scope and strategies for stimulating investments both South-South and North-South need to be the subject of ongoing study and analysis.

43. The second set of measures that countries employ as part of the effort to become attractive to investors consists of the granting of investment incentives. In this area there is considerable scope for cooperation both within the framework of subregional and regional schemes and at the South-South level.

44. Efforts to attract foreign direct investments through the granting of incentives are successful only to the extent that they attract investments to one country at the expense of another country. Implicitly, therefore, the whole rationale for incentives is competition. 21/ In such a competition, the maximum amount that a Government might in principle be prepared to offer to attract an investment may be more than can be justified based on the net benefits to accrue from the investment. In other words, in the absence of cooperation, Governments could overbid for an investment and, by the same token, a prospective investor could well play off one Government against another in order to raise the bidding. 21/ In all such circumstances it is the poorest of the developing countries or regions that are the most disadvantaged.

45. The role of incentives in influencing foreign direct investment flows should not, however, be overemphasized. The surveys available 21/ show that incentives are among the least important of the locational determinants of foreign direct investment. Other factors, including political stability, currency convertibility, supply situation and market share, are far more important. Even so, and also because of the potential for distortions that unrestricted competition for foreign direct investments can have, at least one grouping of developing countries (the Caribbean Community (CARICOM)) has found it useful to introduce a scheme of harmonization of fiscal incentives to industry which aims at limiting rivalry for the location of industrial activity. 22/ Among developed countries, OECD in 1976 adopted the Declaration on International Investment and Multinational Enterprises and in 1984 a second revised decision on international investment incentives and disincentives was adopted in which, inter alia, it was agreed that:

(a) Consultations would take place in the framework of the Committee on International Investment and Multinational Enterprises at the request of a member country, which considered that its interests might be adversely affected by the impact on its flow of international direct investments of measures taken by another member country that provided significant official incentives and disincentives to international direct investment. Having full regard to the national economic objectives of the measures and without prejudice to policies signed to redress regional imbalances, the purpose of the consultations would be to examine the possibility of reducing such effects to a minimum;

(b) Member countries should supply, under the consultation procedures, all permissible information relating to any measures being the subject of the consultation;

(c) The Committee might periodically invite the Business and Industry Advisory Committee to OECD and the Trade Union Advisory Committee to OECD to express their views on matters relating to international investment incentives and disincentives and should take account of those views in its periodic reports to the Council. 23/

46. Furthermore, at a high-level meeting of officials of investment promotion agencies from both developed and developing countries at Geneva in April 1995, held under UNCTAD auspices, agreement was reached to establish a World Association of Investment Promotion Agencies, whose objectives would be:

(a) To promote and develop understanding and cooperation amongst investment promotion agencies;

(b) To strengthen information gathering systems and information exchange amongst investment promotion agencies;

(c) To share country and regional experiences in attracting investment;

(d) To assist investment promotion agencies to gain access to technical assistance and training through referrals to relevant agencies;

(e) To facilitate access to funding and other assistance, through referrals to relevant bilateral and multilateral agencies, for the development and implementation of investment promotion programmes.

47. Thus it is clear that there is a demand for cooperation at all levels on investments, whether with the primary aim to attract investments per se or with a view to limit unnecessary competition. Both objectives can be realized at the subregional/regional level through the establishment of appropriate mechanisms which could range from schemes of harmonization of incentives, as in the case of CARICOM, to the introduction of consultative machinery as is the case in OECD and as is now proposed for the investment promotion agencies. At the South-South level, cooperation could cover a broad area, or it could be limited to more extensive use of the technical cooperation among developing countries modality through which developing countries or regions with greater experience and knowledge in foreign direct investment matters could assist other developing countries in a variety of ways, including the provision of training.

F. Cooperation in capital markets 24/

48. More and more developing countries are launching initiatives aimed at facilitating and encouraging cross-border investment flows through the establishment and operation of regional stock exchanges or the linking of national stock exchanges.

49. Thus for example, the Caribbean Stock Exchange, established in 1991, provides for cross-border trading in securities among member countries. The Association of Central American Stock Exchanges is planning to establish electronic interconnection and mutual use of their stock exchanges for the custody of deposits from each other. The Ibero-American Electronic Stock Exchange project aims at facilitating the trading in securities of major enterprises in the Ibero-American region and creating a market for raising funds. Other important regional institutions are the Union of Arab Stock Exchanges; the African Stock Exchanges Association (which includes South Africa), established in April 1993; and the East Asian and Oceanian Stock Exchanges Federation (which includes Japan).

50. Regions and subregions that have not already established these markets for securities should consider doing so as a first step towards the liberalization of capital flows on a South-South basis and therefore facilitating South-South investments. A prior requirement, however, would be the removal by individual countries of the range of impediments that currently limit intraregional capital flows, including foreign-exchange controls, legislation and regulations, that discriminate against foreign investors, restrictions on transfers and other direct and indirect measures designed to influence capital flows. Consideration might also be given to instituting these liberalization measures within the framework of a preferential regime in favour of intra-group investors wherever the scope exists. At present, most developing countries apply the same ownership limits on both regional and global investment. 25/ One of the few cases of regional preferences is that of Kuwait, where the general limit is 49 per cent but Gulf Cooperation Council nationals are exempted up to the level of 75 per cent. In the same region, the non-reciprocal preferential scheme of Bahrain confers national treatment on citizens of other Gulf States in ownership and trading in local companies. In the Common Market of the Southern Cone (MERCOSUR), individuals and/or legal entities domiciled in member States are permitted to invest freely on each other's stock exchanges.

G. Social sector

51. This section has provided an indication of the specific activities that might constitute an initial agenda for South-South cooperation in one sector, namely that of trade (including services) and investment. It also suggests an approach that consists of a careful selection of specific activities within the sector, followed by interactions among developing countries on the conceptual plane in the first instance, moving on to detailed technical work involving programme/project preparation, analysis and implementation. A broadly similar approach to the identification and formulation of activities for South-South cooperation would in many cases also be required in respect of the other areas in which developing countries have, from time to time, expressed a wish to

cooperate, as for example in the Caracas Programme of Action and the Action Programme for Economic Cooperation as well as in respect of emerging issues such as environment, poverty alleviation, employment, human resource development, technology, macroeconomic policy coordination and the special needs of Africa, among others.

52. In the field of technology, for example developing countries could enhance technological cooperation among themselves through joint programmes at bilateral, subregional and regional levels. Such programmes could provide incentives to skilled personnel to remain in the region and thus alleviate the problem of the "brain drain" common in many developing countries. In this context, the creation of regional "centres of excellence" might be reconsidered. Another area where joint efforts by developing countries could facilitate technological cooperation would be in the pooling of resources required for establishing, at a regional or subregional level, jointly operated institutes for quality testing, certification and standardization. This would enable countries to avoid unnecessary duplication of resources and broaden the services available to the public and private sectors of cooperating patterns. In the social sector existing programmes of cooperation would need to be expanded and strengthened and new ones established if developing countries are to deal adequately with the many pressing issues of the day, including those that have already been addressed and highlighted by the International Conference on Population and Development, held at Cairo, and the World Summit for Social Development, held at Copenhagen, and which will be addressed by the Fourth World Conference on Women, to be held at Beijing, and the United Nations Conference on Human Settlements (Habitat II), to be held at Istanbul, as well as in the agenda for development to be adopted by the General Assembly.

V. FOLLOW-UP

A. Role of developed countries

53. At the level of OECD, the Development Assistance Committee at a meeting in September 1992 reviewed the development assistance policies of the member countries and considered how best those policies could support cooperation among developing countries. An important result of this meeting was the confirmation of the member countries' new attitude to cooperation among developing countries and their readiness to incorporate aspects of South-South cooperation in their development assistance programmes.

54. Support by the North to South-South cooperation takes a variety of forms, ranging from "partnership dialogues" at the level of subregional and regional groupings of developing countries to support for specific South-South cooperation activities. 26/

55. The form in which this support is given also varies and involves flexible and innovative approaches such as the triangular technical assistance programmes of Japan as well as the range of programmes supported by the European Union and other donor countries. Among the multilateral institutions, the World Bank, which previously took a negative view of formal South-South cooperation, is now actively promoting regional economic cooperation, especially in Africa. 27/

56. South-South cooperation is primarily the responsibility of the South but this message should not obscure the reality of the tremendous role that the North can play in facilitating the process.

57. It is in recognition of this reality that the UNCTAD Standing Committee on Economic Cooperation among Developing Countries at its session in January 1993 established machinery within UNCTAD for North-South consultations on issues relating to support for South-South cooperation. But to enable the machinery to fulfil its purpose great care would have to be taken in the preparation and conduct of these consultations, which might need to go beyond support to South-South cooperation per se and encompass a range of issues that are global in character, such as environmental damage, and wider concerns: poverty; population pressures; large-scale migration across international frontiers driven by conflict; other forms of social dislocation; ecological and economic pressures; crime, especially that caused by narcotics; and terrorism. These are all non-economic areas, which the South needs to tackle in the framework of cooperation because their incidence is not confined to the geographical boundary or jurisdiction of any one country or region. Nor is it confined to the South only. These are global problems requiring global attention and considerable international financing and technical support.

58. International organizations, especially UNCTAD, UNDP and the regional commissions, would have a useful role to play in providing technical backstopping for the identification and preparation of South-South programmes and projects on which consultations take place as well as for the consultations themselves.

B. Role of the international organizations

59. The international organizations, particularly those of the United Nations system, should play an active role in promoting South-South cooperation. UNCTAD, the Special Unit for Technical Cooperation among Developing Countries of UNDP and the regional commissions need to be encouraged and given the resources to play that role.

60. Areas in which they could assist in accordance with their respective mandates would include:

(a) The harmonization of the viewpoints of developing countries at the conceptual level on specific issues pertaining to international economic cooperation; these would include not merely issues at the macro level, but also at the sectoral level involving meetings of experts from developing countries, and more especially practitioners in the disciplines concerned from both the public and the private sector;

(b) North-South interactions on specific issues pertaining to international economic cooperation and South-South cooperation;

(c) Examination and recommendation to developing countries on a continuing basis, in the light of changing circumstances and emerging conditions of specific areas and capacities relating to economic cooperation among developing

countries and to technical cooperation among developing countries for absorbing lessons from the success of other developing countries. For example, learning from the successes of newly industrializing countries and examining whether some of these experiences would be relevant to conditions in other developing countries in prevailing conditions, and identifying specific areas and capacities for economic cooperation among developing countries and technical cooperation among developing countries to this end;

(d) Assisting developing countries technically and financially, at their request, in setting up functional databases containing information on trade and on economic capacities in developing countries that could assist in South-South cooperation processes, drawing upon institutions and technical capabilities in developing countries to the maximum extent possible;

(e) Acting as a watch-dog, at the request of the developing countries concerned, for technologies being transferred from developed to developing countries to ensure that developing countries get a fair deal in respect of the appropriateness of the technology concerned, with an eye particularly to their obsolescence or redundance and their effects on the environment, as well as the economic viability of the project;

(f) Assisting developing countries, at their request, in their investment promotion efforts to the maximum extent possible, in terms of both the amount and the nature of the investments offered.

VI. FUNDING

61. The provision of adequate financing is central to the success of South-South cooperation initiatives. Many developing countries continue to make quite significant contributions, but more needs to be done. However, it would be quite impossible to generate from within the South all the resources that would be needed to meet the funding requirements for strengthening institutions for South-South cooperation at the various levels; for providing for strategic interventions by UNCTAD and other international organizations with mandates to promote and support South-South cooperation; and, equally importantly, for the financing of South-South cooperation programmes and projects for which there is no source of funding at present.

62. As regards institutions for South-South cooperation, developing countries will wish to continue to take responsibility in keeping with the principle of self-reliance but a wide funding gap will continue to exist that will need to be filled from bilateral and multilateral sources. UNCTAD and other international organizations will, however, require larger budgetary allocations if they are to be in a position to give effective support to South-South cooperation. For the financing of South-South cooperation programmes and projects, new options and modalities need to be explored including, for example, increased use of triangular funding arrangements, such as those currently being used by Japan among donors, as well as prospects for attracting private-sector funding.

Notes

1/ Report of the United Nations Conference on Technical Cooperation among Developing Countries, Buenos Aires, 30 August-12 September 1978 (United Nations publication, Sales No. E.78.II.A.11 and corrigendum), chap. I.

2/ New York, Oxford University Press, 1990. For an overview and summary of the report of the South Commission, see A/45/810 and Corr.1, annex.

3/ See, for example, TD/B/CN.3/6.

4/ Prominent recent examples of poor attendance were the attempt to hold a Group of Fifteen summit meeting in India in 1993 and the Eighth Meeting of the Intergovernmental Follow-up and Coordination Committee of the Group of 77 on Economic Cooperation among Developing Countries, in which only 40 countries participated.

5/ See A/C.2/48/5, annex.

6/ The Ministerial Meeting of the Coordinating Bureau of the Movement of Non-Aligned Countries, meeting at Bandung, Indonesia, 25-27 April 1995, recommended as much at paragraph 101 of its communiqué.

7/ Efforts to involve the private sector in certain South-South, especially economic cooperation among developing countries, processes, are however, already well established in UNCTAD. Such efforts have included meetings of trading companies of developing countries; of shipping companies; of commercial banks and exporters/importers, etc.

8/ For the most recent, see resolution 49/96.

9/ South-South cooperation both in its economic and technical cooperation among developing countries aspects has been more vibrant at the subregional and regional levels than on a global scale, but the record even in respect of the former is hardly satisfactory either.

10/ This view is discussed extensively in the report of the South Commission, as also in a report by a group of consultants submitted to the Secretary-General of UNCTAD, entitled "Strengthening the Weakest Link: A Review of Certain Aspects of South-South Trade and Finance" (TD/TAD/INF/PUB/86/2).

11/ See TD/B/CN.3/6.

12/ A/C.2/48/5, annex, para. 76 (b).

13/ See TCDC/9/3, paras. 74-76.

14/ In some countries the focal point for economic and technical cooperation among developing countries is merely a post office. It receives communications from outside and channels them to the substantive departments.

15/ A well-known departure is the Southern African Development Community, where member States have these responsibilities in respect of particular sectors, with the secretariat acting as a coordinating agency. The projects of the Group of Fifteen have also been assigned to individual countries for follow-up.

16/ To some extent overlapping also exists between the Group of 77 and the Movement of Non-Aligned Countries.

17/ Based on responses by selected groupings, see TD/B/CN.3/GE.9/2.

18/ UNCTAD reports TD/B/CN.3/13, TD/B/CN.3/15 and TD/B/CN.3/14, submitted at the third session of the Standing Committee on Economic Cooperation among Developing Countries, 19-23 June 1995, provide a clear indication of the importance attached to these developments.

19/ For the preparatory phase of the negotiations on the Global System of Trade Preferences, the UNCTAD secretariat, with financing from UNDP, carried out an extensive programme of studies on the technical aspects of the system, the framework for the negotiations and related issues. It also gave considerable technical assistance to developing countries and their groupings and provided technical backstopping for the negotiations. A major staff effort, supplemented by outside expertise, as required, was therefore provided in order that the negotiations on the Global System of Trade Preferences could be launched on a sound technical basis.

20/ For a further discussion, see TD/B/ITNC/2 and TD/B/ITNC/3, prepared for the twenty-first session of the Commission on International Investment and Transnational Corporations.

21/ TD/B/ITNC/MISC.1, paras. 31-37.

22/ The CARICOM scheme was agreed to in 1973 and incorporated in the national laws of the member States. It was revised in 1990 for introduction as part of the CARICOM Single Market programme.

23/ Second revised decision of the Council, May 1984, replacing decision C(79)145.

24/ Based on UNCTAD/ECDC/246: the role of regional capital markets in enhancing resource mobilization and in promoting their efficient use.

25/ India (51 per cent), Indonesia (49 per cent), Thailand (25-50 per cent), Cyprus (5-49 per cent), Malaysia (up to 80 per cent), Mexico (up to 49 per cent) and the Philippines (40 per cent in general).

26/ An example of the former is the annual SADC Consultative Conference, and of the latter is the CARICOM Export Development Project supported by the European Union.

27/ TD/B/CN.3/GE.1/3 contains (at pp. 6-21) some information on the assistance provided by Australia, Austria, Canada, France, Germany, Japan, New Zealand, the Nordic countries, Switzerland, the United States of America, the European Union, the United Nations system and multilateral financial institutions. The information is not exhaustive, either in terms of aid volume and types or of countries, and it is compiled from information provided to the UNCTAD secretariat.